

APPENDIX II

DETAILED RESPONSES TO THE SURVEY OF LOCAL GOVERNMENTS

This appendix presents the verbatim responses from the local governments that replied to this study. The questionnaire was sent by e-mail around June 7, 2005. Twenty-five of the 31 jurisdiction returned responses. Staff at OFM and at the UW interviewed most of these jurisdictions by telephone, but some responses were returned by e-mail. All jurisdictions responding were sent transcriptions of their responses, and asked to verify by July 6, 2005 if they were accurate, or to include edits to their responses. This appendix reproduces the verbatim responses from the jurisdictions responding to these requests. Responses to these questions are summarized in Chapter 3I of this report. The questionnaire used for this part of the study is included below.

Questions For Telephone Interview

1. Do your fiscal records generally agree with our table based on the State Auditor's data, as to the annexations and incorporations related to your jurisdiction between 1994 and 2003?

Yes _____ No _____

If no, please describe what you believe are the discrepancies.

2. How have incorporations or annexations affected your jurisdiction's revenues?
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3. How have incorporations or annexations affected your jurisdiction's expenditures? Please specify which service needs have been affected, such as police services or infrastructure costs.
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4. In comparison to annexations and incorporations, how important have other factors been in terms of their impact on your jurisdiction's overall revenue and expenditures over the 1994 to 2003 time period?

	Not Important	Somewhat Important	Neutral	Somewhat Important	Extremely Important
Impact of Factors Other than Annexations or Incorporations (please specify factor)					
Impact of property tax changes (especially. Initiative 747)					

Impact of reduction/elimination of Motor Vehicle Excise Tax					
General Population Growth					
Economic developments (e.g. slow or fast Employment growth)					
Other Factors Please specify)					

5. What other factors do you feel are critical in understanding the changes in local government finances for your jurisdiction between 1994 and 2003?

6. Has your city considered, but decided not to pursue, an annexation due to the perceived cost of service provision (e.g., police, capital costs).

7. Has your jurisdiction imposed impact fees as allowed by RCW 82.02 for cities and counties that are required to plan under the Growth Management Act? How have they been used:

1. Streets/roads

2. Parks/Open Space/Recreation facilities

3. School facilities

4. Fire protection facilities in jurisdictions that are not part of a fire district

8. What other comments to you wish to provide to us as a part of this research project?

Thank you very much for your participation in this research project. We will provide you with a summary or results from this phase of the project during the summer of 2005.

VERBATIM NARRATIVES FROM LOCAL GOVERNMENTS RESPONDING TO TELEPHONE AND E-MAIL SURVEY

	Q1 – Does the local jurisdiction agree with Auditors Fiscal Data, Population Data, Annexation & Incorporation Data, and Comments on these data?
Clarkston	Yes
Clallam County	Yes
Forks	Yes
Port Angeles	Yes.
Sequim	Yes
Clark County	No, Both revenues and expenditures in the table seem to be about \$100 million lower than the county's number.
Battle Ground	Yes
Camas	Yes
Vancouver	Yes
Washougal	Yes
Yacolt	Yes
Pierce County	Yes
Bonney Lake	Yes
Puyallup	Yes
Steilacoom	Yes
University Place	Yes
Spokane County	Yes There was one minor discrepancy. Under revenues -- annexed population, the 80,702 entries for 2003 was actually due to an incorporation (not an annexation).
Fairfield	Yes. The population figures prior to and including year 2000 are wrong (those after 2000 are okay). The earlier, erroneous estimates are from the census. Mayor Edwards did not have the correct figures at hand, except for the 2000 population (607 instead of 494).
Medical Lake	Yes. Medical Lake hasn't had any annexations since 1992-93. There has been significant growth in residential construction, but that has all taken place within the city limits. The city may propose an annexation this year.
Spokane Valley	Yes
Yakima County	Yes
Granger	Yes
Harrah	Yes. More accurately, yes and no. See below. The annexation data provided is correct – in terms of numbers of annexations and acreage. Other than property taxes, the fiscal data was not exactly the same as our records show. For the most part it was difficult to understand the categories (in the data provided) and have it match up with the City's information. We were unclear what the categories – especially business and utility, misc. – included.
Toppenish	Yes
Yakima	Yes, however, the population estimates appear to be on the low side to them and some population changes shown are not noted in the correct year. There appears to be larger jumps in their population around the census years – indicating a lag in OFM population adjustments.
	Q2 - Impact of Annexations/Incorporations on Revenues
Clarkston	No significant changes. The annexation in 2001 included an RV park that increases hotel/motel tax revenue.
Clallam County	There has not been much annexation of commercial property to date, so the impact has minor. But, this may change and there is the potential for large impacts. The first major commercial annexation occurred a few months ago, and this will reduce sale tax revenues.

	Clallam just instituted a Boundary Review Board to facilitate boundary agreements between jurisdictions. Having the Board has helped to settle appeals, even before hearings.
Forks	They have had very little impact. Forks have not had much in terms of annexations during this period (1994-2003).
Port Angeles	Until very recently the city has not had any annexations for a long time. There is currently a 360-acre annexation pending. The area will be developed for industrial and commercial use. In the near term, they expect the impact on revenues to be modest and the impact on expenditures to be substantial. They view the annexation as a long-term investment that will benefit the city through greater economic growth. Eventually, they expect the annexation will add \$150,000 in revenues per year through property taxes and utility taxes (and, to a lesser extent, sales taxes).
Sequim	Slight increase in property tax revenue plus utility extensions to new housing developments.
Clark County	Probably the biggest annexation was the 1997 annexation by the City of Vancouver. There was a detectable impact on revenues. However, population growth in the county was so strong that the revenue impact of the annexation was overwhelmed by the revenue impact of growth in the county. There was some loss of property tax revenue because the annexation was primarily residential. County avoided cherry picking by the city.
Battle Ground	The impact from annexations has been minor. However, we have seen a secondary impact from the growth that the annexations have facilitated. This growth has brought about increases in revenue.
Camas	Over the 1994-2003-time period the impacts have been negligible. Farmland was annexed in 1997 for industrial development, but until recently only one small business moved to the city. Since 2004, however, additional businesses have moved in and revenue impacts should become more substantial. There was also an annexation of a residential area in 2004. This did add to city revenues through increased property taxes and real estate excise taxes. These additional revenues helped to stabilize their budget. The city is in the process of carrying out two additional residential area annexations.
Vancouver	The City of Vancouver's revenues increased. Specifically, the property and other local taxes and fees revenues.
Washougal	Incorporations are not an issue. They have had several annexations of land for residential development. These annexations have had positive impacts on city revenues as new, high-end housing is constructed. Residential construction has generated fees, sales taxes and property taxes.
Yacolt	Not applicable (must not have had any annexations)
Pierce County	Incorporations have had the biggest impact. Since 1994 three cities have incorporated. This has significantly reduced sales tax revenue, property tax revenue, and real estate excise tax revenue and development fees.
Bonney Lake	The impacts have generally been positive. For the most part, the annexations have been residential in Bonney Lake (there has been one commercial annexation), which has meant that there hasn't been much change. Undeveloped areas are perceived as bringing more revenues through development fees and impact fees. So, in the case of Bonney Lake, the annexations haven't changed much.
Puyallup	They have not had much impact. Most of their annexations have been residential, not commercial.
Steilacoom	There have not been any, so no impacts
University Place	The impact of annexations has been negligible. The city did not carry out large annexations during this period.

	Prior to I-695 (passed in 2000), the incorporations of other cities reduced University Place's revenues through the loss of state equalization funds (which were financed through MVET). Since I-695, incorporations have had only minor impacts.
Spokane County	The county did lose some revenues due to the incorporation in 2003. However, they have been able to regain most of these revenues through contracts to provide services. The county has lost some revenues due to annexations (e.g., they lost a COSTCO), but the impacts have been only minor.
Fairfield	No impact. They have not had an annexation since 1986.
Medical Lake	Not really, since there have been no annexations in the period 1994 to 2003.
Spokane Valley	The City of Spokane Valley just incorporated in 2003.
Yakima County	Annexations do not have much impact on the county's general fund – but they do impact the road fund because of loss of property taxes.
Granger	The city has only annexed vacant land. That has increased property tax revenues a little.
Harrah	We have seen 28 new residences on the 8 annexed acres. This has brought about increase in utilities and property taxes, which has been helpful. The developer put in modular homes (not mobile, but still modular), which created some tension in the community. Modular homes are less valuable in terms of property tax. If we see more growth, we will need to renovate our wastewater treatment. We are currently close to capacity on our wastewater treatment plant. There is not much available land for growth in Harrah and a limited amount for annexation because much adjacent land is tribal land.
Toppenish	There has been no significant impact because Toppenish has had no significant annexations from 1994 to 2003.
Yakima	They have increased their revenues, via sales and property taxes largely related to residential development. They have a careful process of evaluating the revenues and expenses of particular annexations, and typically seek to annex land that has become 75% urbanized (based on value). They use a 7-point test that needs to be defended before the Boundary Review Board established under the GMA. Their time horizon for doing this analysis is 2 or 3 years.

	Q3 - Impact of Annexation / Incorporations on Expenditures
Clarkston	No significant changes
Clallam County	Annexations to date have not been large enough to have major impacts. There have been some reductions in law enforcement needs (though not enough to allow reduction in staff) and small reductions in county roads. The impacts on the county budget have been negligible.
Forks	Again, very little impact
Port Angeles	The pending annexation will have a large impact on expenditures. They will need to spend \$5.3 million on utility infrastructure investments.
Sequim	So far, just utility and street maintenance
Clark County	County thought that it would have to reduce the Sheriff's Department by 30 deputies due to the 1997 Vancouver annexation. However, revenue growth was strong enough from growth in the county that the county only had to reduce by 10 deputies. Now, it seems that cities are mainly annexing undeveloped land for future expansion. That really has little revenue or expenditure impact on the county.
Battle Ground	We have increased the number of police officers. Utilities have remained pretty neutral. Overall, the changes in cost have been proportionate to the growth experienced.
Camas	Impacts to date have been minor. The residential annexation in 2004 (mentioned above) did not have a large impact on expenditures because services were already being provided through a contract (and the contract did not cover the full cost of the services).

Vancouver	The City of Vancouver's expenditures increased. The largest impact is on the law and justice services followed by the natural resources and transportation.
Washougal	The rapid residential growth has increased the costs of providing fire and police services, and the city has had to increase staff in the planning department.
Yacolt	(Not applicable) Must not have had any annexations
Pierce County	The county hasn't experienced much of an impact on expenditures from the three incorporations until last year. The three new cities all contracted with Pierce County to provide services like police services and road maintenance. The charges and fees they pay for these services have offset the revenue losses until recently. In 2004, Lakewood decided to start its own police force. This reduced charges the county receives for policing, but there will also be a reduction in expenditures for that as well.
Bonney Lake	We have increased the number of police officers, and there has been a slight increase in public works and some expenses from required one-time fees, like conducting a census after annexation. We have conducted extensive research prior to annexing to make sure that we can handle changes. There are some issues with water supply and costs because Bonney Lake has a contract with Tacoma for water.
Puyallup	<p>They have increased expenditures. The annexed areas typically had lower levels of services under the county, and the city had to spend to bring the levels up.</p> <p>The impact on expenditures is typically larger (somewhat) than the increase in revenues, but the city still carries out the annexations in order to simplify and consolidate the provision of services. A typical example is the case of pocket county-islands within the city. This complicates the provision of police, fire and street services (it can be confusing to police and firemen).</p> <p>Unlike some jurisdictions, Puyallup does not contract to provide services to outlying areas.</p>
Steilacoom	There have not been any, so no impacts
University Place	No.
Spokane County	There have not been substantial impacts, so far, because they have been able to contract for services. They have had to reduce staff in parks and planning in a few cases.
Fairfield	Not applicable. No annexations.
Medical Lake	
Spokane Valley	The City of Spokane Valley just incorporated in 2003.
Yakima County	The west valley annexation resulted in the loss of two police officers. To annexed areas. But there was no impact on other gf-s services. Low interest rate loans from public works trust fund helped compensate for losses in the road fund. Rad fund projects have still been delayed.
Granger	Annexing vacant land hasn't added much to expenditures. The future cost of infrastructure in those areas is a concern.
Harrah	Expenditure changes haven't been substantial. We haven't increased the police, though we might like to. We contract our police through Yakima county police department. We cannot financially afford to increase police. If there are <i>more</i> annexations, we will need to update wastewater treatment. Interesting side note – about four or five years ago, the city had to DE-ANNEX property because of our finances. We could not afford road maintenance.
Toppenish	There has been no significant impact because Toppenish has had no significant annexations from 1994 to 2003.
Yakima	They have increased their costs, primarily to serve residential areas. Direct cost increases include police, fire, and public works. They incur indirect costs due to annexations such as Human Resources, Legal, Finance, Animal Control, permitting, etc.;

	Q4 – General Response to factors other than annexations
Clarkston	Extremely important
Clallam County	(Not returned as checked in their questionnaire)
Forks	Not checked
Port Angeles	No response
Sequim	Extremely important
Clark County	Extremely important
Battle Ground	No response
Camas	No response
Vancouver	No response
Washougal	No response
Yacolt	No response
Pierce County	No response
Bonney Lake	No response
Puyallup	No response
Steilacoom	Extremely important
University Place	No response
Spokane County	No response
Fairfield	No response
Medical Lake	No response
Spokane Valley	No response
Yakima County	Initiative 747 and the repeal of the mvet have had a much bigger impact on our finances than annexations and incorporations. The general fund will lose \$25 million over a five-year period due to the initiatives; and the road fund will lose about \$10 million.
Granger	No response
Harrah	No response
Toppenish	No response
Yakima	No response

	Q4 – Impact of property tax changes (e.g. initiative 747)
Clarkston	Somewhat important
Clallam County	Extremely Important
Forks	Somewhat Important
Port Angeles	Somewhat Important. Note (1): Initiative 747 has not had that much impact to date (it has not been binding), but it will likely have greater impact in the future. Property assessed values have not been increasing much, and they have been operating at statutory rate limits.
Sequim	Somewhat important
Clark County	Somewhat important I-747 : This probably has had the greatest impact on county finances. Counties are primarily financed by property taxes. I-747 limited growth to one percent from six percent, a huge change. In addition, the one percent limit forces the levy rate down each year. That means that the levy rate that is applied to new construction gets lower each year. Eventually, the growth rate of property taxes for everything, including new construction will be close to one percent. This greatly constrains county revenues.
Battle Ground	Neutral/Somewhat Important– at first, this didn’t impact us, be we anticipate it will be more important in the future - (this is why two boxes are marked)
Camas	Extremely important (most important factor)
Vancouver	Extremely important
Washougal	Extremely important - they do not have a strong retail base and rely on property taxes; 747 has limited the ability to raise revenues

Yacolt	Somewhat important
Pierce County	Extremely important This has had a big impact on county revenues. Pierce County has lost millions every year because of the initiative. It's not been put on the ballot to exceed the limits.
Bonney Lake	Very Important Has impacted Bonney Lake, but not as much as other places since many efforts have made to find other revenue sources.
Puyallup	Extremely important - limits revenues and, therefore, services
Steilacoom	Extremely important
University Place	Somewhat important (increases fell from 6% to 1%--the city has lost about \$150k per year)
Spokane County	Extremely Important (property taxes account for about 32% of revenues)
Fairfield	Extremely important - this has had a dramatic impact on rates
Medical Lake	Extremely important I-747: Medical Lake has experienced an increase in the value of residential property recently, but this happened after the passage of I-747. So, the city was not able to realize any significant increase in property tax levies. The mayor and city council have, with one exception, chosen to stick with the I-747 limits rather than voting to exceed them.
Spokane Valley	Extremely Important I-747: Restraints on property tax levy growth significantly affect city revenues.
Yakima County	See narrative
Granger	Extremely important
Harrah	Somewhat important
Toppenish	Somewhat important I-747. This has had some impact on Toppenish, but not as much perhaps as other jurisdictions. Property taxes aren't as important since the property tax base in Toppenish isn't as big as most other cities this size and there has been relatively slow growth in assessed value.
Yakima	Extremely important - negative

	Q4 – Impact of elimination of MVET)
Clarkston	Extremely important
Clallam County	Somewhat important
Forks	Extremely important (This has hurt them badly)
Port Angeles	Extremely important Note (2): They have lost about \$300,000 in revenues due to the MVET reduction/elimination and it has been a struggle to balance their budget. They have not cut essential services, but they have cut employee benefits. This has made it more difficult to recruit staff and is causing them problems.
Sequim	Somewhat important
Clark County	Extremely important Repeal of MVET: Although counties received a much smaller part of MVET distributions than cities, it still had a significant impact on Clark County. In addition, the City of Vancouver shared some of their MVET distributions with the county – this also went away with MVET repeal. Although public health that had been funded through MVET was partially funded by the state, the state made public health funding a county mandate instead of a county and city mandate as it had been (theoretically) before MVET repeal. This has put more of a financial burden on the county.
Battle Ground	Somewhat important
Camas	Somewhat important
Vancouver	Extremely important
Washougal	Neutral - they were not eligible for sales tax equalization
Yacolt	Extremely important
Pierce County	Somewhat important While not as large of an impact as I-747 (because counties still

	received a small proportion of MVET distributions) this loss did substantially affect road improvement funding.
Bonney Lake	Extremely Important--has impacted Bonney Lake, but not as much as other places since many efforts have made to find other revenue sources.
Puyallup	Extremely important
Steilacoom	Extremely important
University Place	Extremely important --the city lost about a third of their revenues
Spokane County	Extremely important
Fairfield	Extremely important - (695 and sales tax equalization have reduced revenues \$32k per year)
Medical Lake	Extremely important MVET elimination: This was probably the single biggest impact on the city. The city relied heavily on MVET distributions for fire and police and for sales tax equalization. There is essentially no retail activity in the city, so there is no retail sales tax base. Residents rely on the military base or Spokane for shopping. Elimination of MVET and to a lesser extent I-747 has led to significant budget cutbacks and elimination of 6 FTEs. This has caused a reduction in services.
Spokane Valley	Somewhat important MVET repeal: Although Spokane Valley was incorporated after repeal of MVET, it still would be nice to have the revenue for criminal justice, fire protection and transportation purposes.
Yakima County	See narrative
Granger	Extremely important
Harrah	Extremely important. Loss of sales tax equalization (retail sales in Harrah are very limited)--MVET was quite significant for Harrah
Toppenish	Extremely Important Toppenish was much more reliant on MVET distributions than property taxes.
Yakima	Extremely important - negative

	Q4 – Impact of general population growth
Clarkston	Neutral
Clallam County	Neutral
Forks	Not Important
Port Angeles	Not important – have not had much population growth
Sequim	Neutral
Clark County	Extremely important General population growth: This has been very important to the county. The county has experienced a great deal of population growth. This has brought in more revenues but also increased expenditures. While this has mostly balanced out, population growth has had a huge impact on the county. This has happened partially because the area north of Vancouver has not been annexed and there has been a great deal of population growth there.
Battle Ground	Extremely important-- this has been the most important factor
Camas	Somewhat important - they have had to cut back on activities and services
Vancouver	Extremely important
Washougal	Extremely important - have had about 400 housing starts a year
Yacolt	Neutral
Pierce County	Neutral This seems to have been pretty much a wash. Population growth has brought increased revenues but also increased expenditures. Revenues and expenditures have tended to more or less offset each other.
Bonney Lake	Very important we are growing fast; population has increased 40-50% over the past few years.
Puyallup	Not important, growth has been manageable
Steilacoom	Not important, they have not had any population growth

University Place	Not very important: population growth is modest
Spokane County	Somewhat important
Fairfield	Not important – population stable
Medical Lake	Extremely important General Population Growth: While the population figures show little change in Medical Lake’s population, there has been a significant change in the non-institutional population. The population at Eastern States Hospital has declined, but this has been offset by general population growth within the city limits. Commuters from Spokane and from Fairchild make up a large part of this new population growth.
Spokane Valley	Extremely important
Yakima County	See narrative
Granger	Somewhat important
Harrah	Not important. don’t see pop growth as factor
Toppenish	Neutral Toppenish has had relatively little population growth since 1994.
Yakima	Not important – they have very little infill growth

	Q4 – Scale – impact of other factors
Clarkston	No response
Clallam County	No response
Forks	No response
Port Angeles	No response
Sequim	No response
Clark County	Extremely important, see their response to Q5
Battle Ground	No response
Camas	No response
Vancouver	Extremely important. Services already provided for Fire/Water/Sewer/Drainage
Washougal	No response
Yacolt	No response
Pierce County	Extremely important, See their response to #5
Bonney Lake	No comments
Puyallup	None identified
Steilacoom	Extremely important. They lost one industrial plant, and that cost them significant revenue
University Place	No response
Spokane County	No response
Fairfield	No response
Medical Lake	No response
Spokane Valley	No response
Yakima County	See narrative
Granger	No response
Harrah	Somewhat Important Fire district contract has been very difficult financially. The city must pay ½ of property taxes on this. The city and property owners in the surrounding support much of the surrounding tribal areas fire protection because of the system of allocating this service and its cost.
Toppenish	Extremely Important. Toppenish is located on the Yakima Indian Reservation. This presents several problems. First, the Yakima Nation has been circumspect about growth in Toppenish and the other two cities on the reservation, Harrah and Wapato. Any expansion, annexations or economic development would have to be approved by the tribe. Second, Toppenish does not have certificated water rights. It applied to the state Department of Ecology for water rights and has been referred to the Yakima’s for certificated rights. Without certificated water rights the city couldn’t guarantee water to any economic development opportunities or residential expansions. Lack of water rights is a big deal.

	Third, it seems that enrolled members of the Yakima Nation are exempt from sales tax. That represents a quite large base of retail sales that are not taxable. There doesn't seem to be any state law to support this, but the state Department of Revenue allows it. If those sales were taxable, Toppenish's sales tax revenue might increase by as much as one third.
Yakima	No response

	Q5 - Other items that they consider important in considering local government finances
Clarkston	Clarkston has not seen any major changes in population or industry during this time period. Major factors have been changes in the property tax laws and the loss of MVET.
Clallam County	The Growth Management Act itself. The legislature has not addressed the revenue shifts caused by the Act. In rural counties, the Act is interpreted as restricting commercial activities. Cities are critical if a county tries to create a rural commercial zone. Counties do not have the ability to create revenues through commercial development. Counties are not allowed to charge utility taxes. Property taxes do not cover the costs of services, and sales taxes are limited. The Act is killing rural counties.
Forks	State and federal government regulations and unfunded mandates have hurt them. Jobs have been lost due to environmental regulations (spotted owl hurting logging, air quality regulations hurting shake and shingle mills), fishing regulations, and proposed closures of government installations (they had to fight to keep the coast guard from closing a local station).
Port Angeles	It has been difficult to comply with some state mandates (e.g., environmental mandates have forced them to raise sewer fees substantially). They need help acquiring funds for needed infrastructure projects (bridge repairs, roads).
Sequim	No response
Clark County	Unfunded state mandates have had a great impact on the county. Criminal justice costs related to legislation, the recently increased costs of indigent defense, the expense of complying with SEPA in county road building have all adversely impacted the county budget. Recent redistribution of mental health care funds is also a factor at both federal and state levels.
Battle Ground	A balanced tax base is very important. We are fortunate to have a balance between business, sales, and property taxes.
Camas	Cities should be given greater flexibility on how to use real estate excise tax revenues. They should be able to use these funds more for operations. This would help to supplant property tax limitations. They have had some difficulty competing with Oregon for business investments, because Oregon has more tools for attracting investments. There is a need for tax increment financing.
Vancouver	Annexations. Portland/Vancouver economy and growth. Increasing expenditures with revenues not keeping pace. Elimination of Business and Occupancy Taxes. Increase in the non-voted debt load. In 1997 the City started to provide Park Services in Vancouver and Clark County.
Washougal	Historical lows in interest rates have contributed to the housing boom. Oregon's tax structure has encouraged people to move to Washougal from Oregon. Being a border city, Washington's sales tax legislation constrains their ability to develop a retail base. It's too easy for their residents to shop in Oregon.
Yacolt	Insurance – both health and liability
Pierce County	Costs for employees, especially health insurance, have increased rapidly. Also, pension rates were raised by the state recently.

Bonney Lake	The City of Bonney Lake is facing some huge changes in population, not just in terms of growth, but also in demographics. We have a whole new constituency, especially made up of new families. We don't have the infrastructure to accommodate these new families. We have one park – donated in the 1970s. We don't have support for our needs. There is no money for parks, for transportation, for streetlights. How do we build a city hall that holds all employees? How can we keep up with the growth in general? We have increased system development charges to raise funds. In addition, we are trying to develop a long-term plan on how to handle these issues. Recently, we applied for trust fund loans.
Puyallup	Employee health care costs have been increasing dramatically (15-20% a year). This has been the most serious factor affecting their budget. Rising health care costs have put pressure on capital expenditures and may limit service levels in the future.
Steilacoom	They have had significantly increased costs due to binding arbitration for policy and fire personnel costs. They have also had significant cost increases for medical benefits.
University Place	<p>They have been hurt by state unfunded mandates (restrictions and regulations). Examples include: the prevailing wage law (which they believe adds 20 percent to construction costs) and purchasing; bidding requirements (it is often cheaper to carry out work in-house, but the requirements prevent them from doing so); not enough grant funding is provided by the state to cover growth management planning; build able lands (they are required to inventory vacant/underdeveloped land and track and report to the state); density requirements; shoreline management regulations; water quality standards (storm water management regulations).</p> <p>Economic development and the need for tax increment financing</p> <p>Sales tax distribution—The point of sale distribution is not fair. The Streamlined Sales Tax should be passed to provide more equitable sales tax distribution to cities.</p> <p>Sales Tax Equalization Backfill—Pre-I695, the City received almost \$3 million per year. Now equalization backfill from the state only amounts to \$100k. Meanwhile, Sales Tax Equalization is still the law of the land—it's just not being funded.</p> <p>Land Assembly—give cities the same rights and abilities that ports have when it comes to land assembly.</p> <p>LID formation—The “assessment to benefit” test for LIDs makes it very difficult (often impossible) to form LIDs and fund much needed local improvements (sewers, roads, street lights, etc.).</p>
Spokane County	The major factors have been the loss of MVET and the limits on property taxes. State and court unfunded mandates have had important impacts. Incorporations have played a role, but these other factors have been more important.
Deer Park	Somewhat important, see q. 5
Fairfield	<p>Sales tax equalization has hurt them.</p> <p>The cost of their law enforcement services contract with the county has increased dramatically (from \$10k to \$32k per year). This, coupled with declines in state criminal justice funds, is hurting them.</p>
Medical Lake	The most important factor is Eastern States Hospital. This state facility occupies about 50 percent of the area within the city limits. The state pays no property tax to the city on this area. It contracts with the city for fire protection, but does not have to pay of police services which cost the city several times the cost of fire protection. Also, Fairchild Air Base is only a few miles away. Military residents rely on the base for shopping. Commuters to Spokane and many local residents do their shopping in Spokane. As a consequence, there is practically no commercial development in the city. Last year a

	grocery store was built, the first significant retail commercial construction in 20 years. Most of the city's retail sales tax base is derived from residential construction.
Spokane Valley	<p>The city and its elected officials are all new to running a city. We are looking at our options on both the revenue and expenditure side of the balance sheet. We have a lot of learning yet to do.</p> <p>One of the things we have noticed that significantly impacts our city is unfunded mandates from the state.</p>
Yakima County	The initiatives have been the big thing for us. Also, unfunded state mandates continue to place a burden on county finances.
Granger	Initiatives and referenda have had by far the biggest impact on Granger. In the wake of I-695 and I-747 we had to close the municipal swimming pool and cut back on employment and other services. However, the demand for services actually increased. People didn't understand that voting for the initiatives and referenda was going to reduce funding for things they want.
Harrah	The City of Harrah didn't see many changes in taxes or fees. We are now allocating a few more expenses to the sewer and water funds. It is the current expense or general government. The town utility tax in 2004 on sewer and water was increased from 6% to 12%. Utility fees have been increased slightly.
Toppenish	For Toppenish, the increased cost of providing services has typically exceeded revenue growth. That makes it hard just to maintain a steady level of services much less increase the level of services. Items like energy costs, fuel costs and health insurance costs have all been rising much more rapidly than revenues have been growing. This is probably true for all cities.
Yakima	<ul style="list-style-type: none"> • The strong agricultural base in the valley has had both positive and negative impacts on the local economy. It has been and remains a large economic driver in the area supporting both directly and in-directly related businesses. However, it is a seasonal and cyclical industry that keeps wages low and has minimized incentives for economic diversification in the past. • However, recently the city has experienced general growth of the local economy including diversification from traditional agriculture. They have had several call centers established, including one that moved to India. They are providing incentives for developments of this type (such as Renewal Community federal tax incentives and Section 108 HUD loans to help attract new capital investment. They are also gaining business (such as metal fabrication) in relation to waste remediation activity at Hanford. Their airport has had much more storage activity for Westside aircraft owners, who seek to take advantage of their dry climate. They have also had plastic mfg. develop, as well as tourist activity in relation to the growth of the wine industry. • Should the State Legislature as initially presented by the Department of Revenue in 2003 implement the Streamlined Sales Tax (SST), the City would likely lose critical sales tax revenues causing additional significant negative pressure on the City's ability to provide critical services to its citizens. • They gain some revenue from new construction that helps provide some relief to the revenue losses due to I747 and the loss of MVET.

	Q6 - Have they considered annexations/incorporations but not done it due to expected costs?
Clarkston	No
Clallam County	Not Applicable City question—not relevant to counties
Forks	No
Port Angeles	No. If they only considered the costs, then they would not have went forward with the recent annexation. However, they consider the annexation as a long-term investment in economic growth that will generate long-term gains for the city.
Sequim	No
Clark County	Not Applicable, but the interview found: Politics seems to be a bigger factor to cities in Clark County than costs or revenues. Smaller cities may decide based on costs more than larger cities. Some of the bigger cities seem to have foregone annexation of some area with infrastructure that is below the standards of the city. Many of the smaller cities are engaged in annexing vacant land for future expansion. Also, the larger cities seem to have shifted to annexing vacant land as well because the new state annexation law makes it much harder to annex populated areas.
Battle Ground	We are currently considering delaying a proposed annexation to a future date due to costs. But, although we have discussed a delay, we haven't actually denied a particular annexation.
Camas	No
Vancouver	The City has considered cost of service provisions and has decided not to pursue because of these costs.
Washougal	No
Yacolt	No
Pierce County	Not Applicable
Bonney Lake	Yes. For some time now, the county has wanted us to annex a large area – one that is entirely residential. It is all developed but in substandard conditions that the city would have to update if we annexed. It would require updated sewer, roads, etc. We haven't done it because of these costs.
Puyallup	No. They also look at the benefits (e.g., easier provision of police, fire, and street services).
Steilacoom	Yes. They are more or less surrounded by other jurisdictions, but there is one area of unincorporated territory next to them that is entirely residential. They have not sought to annex this area because the cost of service provision would outweigh revenue gains.
University Place	Not applicable. (? Are they surrounded?)
Spokane County	Not Applicable
Fairfield	No. This has not been an issue.
Medical Lake	The city has tried to keep development with the urban growth area because of the cost of infrastructure. This has caused significant in filling within the city limits. However, development is beginning to spill outside the UGA and the city may do an annexation this year. The city, however, is remaining cautious and is trying to avoid situations that would necessitate large outlays for infrastructure outside the city limits.
Spokane Valley	We've only been incorporated for a couple of years, but there are some possibilities for annexations. Also, the city is looking at annexation policy since the county is considering revising the UGA. Some developers have vested rights in parcel that could end up in the new UGA and this would affect the city's ability to annex those areas. We are also in discussions with the county over the UGA and annexations because we would prefer to cooperate with the county on issues such as annexations, infrastructure, cost of providing services, etc. We'll be exploring those issues with the county in hopes of arriving at mutually beneficial policies and positions.

Yakima County	Not applicable
Granger	No. All annexations with population have been done at the request of property owners in the annexation. We don't turn down anyone that wants to be annexed.
Harrah	No, not at this point.
Toppenish	No.
Yakima	No, as they assess the financial feasibility of an annexation well before it ever reaches high-level consideration by the city's legislative body. They do realize that there is political sensitivity associated with annexations and this could prevent an annexation option from being approved. The loss of revenue to the County following an annexation seems to promote a tension between City and County, which can interfere with sound planning. They feel as though the Legislature might help with these conflicts by better defining the roles of cities and counties, in terms of service standards and land use restriction differences in a county vs. a city. Some people want to remain in unincorporated areas, but want urban-area quality of services in these places. They do not support the county delivering services at this level, and feel that the legislature could clarify standards for service delivery in cities and unincorporated areas and assist in educating the public on the differences between rural (county) and urban (city) services and restraints.

	Q7 - Use of Impact Fees
Clarkston	No
Clallam County	No. It has not been politically viable to do so.
Forks	Question not included in their questionnaire
Port Angeles	They do impose some modest impact fees. They try to keep the fees small so as to attract new businesses to the area. (Yet they checked no to all the categories supplied) In other entered: Items such as sidewalks
Sequim	Not imposed yet
Clark County	Clark County imposes #1, #2 and #3. The county has an agreement on impact fees with the City of Vancouver. Clark County just formed a metropolitan park district, too, that will automatically expand with the UGA.
Battle Ground	Streets/Roads <u> X </u> Parks/Open Space/Recreation facilities <u> yes </u> <u> X </u> No on the other categories, but this text was included: We have applied impact fees for fire, parks, and traffic.
Camas	Yes Streets/Roads <u> yes </u> Parks/Open Space/Recreation facilities <u> yes </u> School facilities <u> yes </u> Fire protection facilities in jurisdictions that are not part of a fire district <u> yes </u> Other <u> sewer/water </u>
Vancouver	The City has imposed impact fees and they have been used for both Streets/roads and Parks/Open Space/Recreation facilities acquisitions and development.
Washougal	Yes, fees are imposed Streets/Roads <u> Yes </u> Parks/Open Space/Recreation facilities <u> Yes </u> School facilities <u> Yes </u> Fire protection facilities in jurisdictions that are not part of a fire district <u> Yes </u> Other was not checked.
Yacolt	Yes, for school facilities

Pierce County	Pierce County has impact fees for parks and recreation. This has worked very well for the county. Impact fees for school districts are also imposed if the school district asks for them.
Bonney Lake	Streets/Roads ____ Parks/Open Space/Recreation facilities ____ Yes__ X __ School facilities __ X No____ Fire protection facilities in jurisdictions that are not part of a fire district __No____ Other (no response)____ We have applied impact fees for traffic, parks, and schools (the money goes entirely to schools; none to us), updated storm water impact fees, water and sewer fees.
Puyallup	Yes. The fees have helped to defray the costs of growth. Streets/Roads ____ Yes (but only for one commercial area) Parks/Open Space/Recreation facilities ____ Yes____ School facilities ____ Yes____ Fire protection facilities in jurisdictions that are not part of a fire district __No____ Other (no response)____
Steilacoom	Yes, for 3. schools. Needed to renovate/improve facilities.
University Place	Streets/Roads __Not in the past; they are considering doing so. Parks/Open Space/Recreation facilities ____ Yes____ School facilities ____No____ Fire protection facilities in jurisdictions that are not part of a fire district __No____ Other _____
Spokane County	Not asked the question – interviewed before this question was added to survey form.
Fairfield	No. Do not impose these fees.
Medical Lake	Yes, Medical Lake has used impact for 2, 3 and 4. We like impact fees because they help to pay some of the costs for growth. Also, there's enough flexibility to allow the city to negotiate for facilities or amenities in lieu of the impact fees.
Spokane Valley	No. However, we are looking at ways to share the cost of development in the community.
Yakima County	No comment
Granger	No. We're looking at ways to pay for growth. Impact fees could be part of our development plan.
Harrah	Streets/Roads __Not in the past; they are considering doing so. Parks/Open Space/Recreation facilities ____ Yes____ School facilities ____No____ Fire protection facilities in jurisdictions that are not part of a fire district __No____ Other - no response here
Toppenish	No. Revenues would be exceedingly small since there has been very little development and little more is expected unless some of the significant issues get cleared up.
Yakima	No, but they are talking about it. The development community strongly opposes them and the city cannot afford to discourage growth and development, but they need to provide services and infrastructure upgrades necessitated by such development, so they are walking a fine line between using impact fees and providing these services/upgrades through other means.
	Q8: - Other Comments
Clarkston	None
Clallam County	No comments
Forks	State fiscal changes have been the most important factor affecting local government finances. The point of sale distribution of local sales taxes has hurt rural areas that do not

	<p>have large retailers. There are great disparities between cities that have large retail centers and those that do not.</p> <p>Rural areas do not have the revenues needed to provide the services required by state mandates. The urban-rural split needs to be addressed. There is a net drain of resources away from rural areas. For example, the taxes from state timber do not stay in Forks.</p>
Port Angeles	No additional comments.
Sequim	None
Clark County	The fastest growing revenue source for Clark County is intergovernmental transfers in the form of grants from the state and federal governments.
Battle Ground	None
Camas	He is interested in the study and would like to receive the results.
Vancouver	No additional comments
Washougal	No additional comments
Yacolt	None
Pierce County	<p>(1) Cities have a tendency to cherry-pick when annexing. They like to annex areas with high revenues but small expenditures. Then the county is left with areas that have small revenues but significant expenditures associated with them. (2) Funding basis for counties compared to cities disadvantages counties. Cities can impose a municipal B&O tax and a utility tax to fund general fund activities. These are not available to counties. Counties would like to have the utility tax. (3) Changing sourcing on sales tax would help Pierce County and most other counties. (4) State funding for county delivery of services should be re-examined to see if the funding is at the appropriate levels.</p>
Bonney Lake	None
Puyallup	We should note that each jurisdiction is different—and not just in terms of the financial impacts or annexations. There are substantial political differences across cities with respect to attitudes towards growth.
Steilacoom	Feels that the Central Puget Sound region Growth Management Hearings Board is “out of control,” are legislating from the bench, by requiring at least 4 housing units per acre. This is pre-empting local legislative authority, with adverse impacts on the community and quality of life. These decisions should be made by local governments
University Place	None.
Spokane County	None
Fairfield	None
Medical Lake	<p>One of our most significant issues is provision of services to Eastern States Hospital. We can negotiate with them over provision of fire protection services. However, provision of police services costs several times more per year than provision of fire protections services and the city cannot negotiate with the hospital on them and does not get paid or reimbursed. Whenever a resident wanders off the hospital grounds the city police are called and we respond. However, we have a small police force and it takes the whole force to respond and still maintain services to the city. We don’t get anything from the state for doing this.</p> <p>Costs of providing services also increase rapidly because of costs like rapidly increasing health insurance premiums for city employees.</p>
Spokane Valley	The Legislature and initiative writers should be required to explain impacts of legislation on local governments to voters so that they can understand what will happen. Classic example is I-695. MVET might have been reformed in a satisfactory way rather than repealed entirely.

Yakima County	It would be nice if someone could convince voters that you can get more services with less revenue.
Granger	No response
Harrah	The County Conference on Government in Yakima is very important for the small towns in the county. Often fiscal planning is very difficult, and can be expensive (in terms of hiring planner, etc). Without CCOG, it would be difficult to proceed with planning. Growth management planning is critical for small towns. Such planning – and related fees – are often not welcome by community residents. The GMA was crucial in bringing zoning ordinance to Harrah – this was something the city had hoped to do but residents had opposed it.
Toppenish	None
Yakima	<p>They feel Federal and State unfunded mandates have had significant negative fiscal impacts on the City. For example, recent standards for storm water regulations were driven by west side precipitation levels, which make no sense in Yakima where precipitation levels are 20% of Westside precipitation levels. In many cases these standards also drive up the cost of planning.</p> <p>They have tried to assist 2 school districts with their growth plan by providing the school districts with population changes based on new planned development within their district boundaries; however the school districts have stated that they are only allowed to base growth on estimates of births and deaths, and they are not allowed to include estimated populations associated with new subdivisions. This is not an effective way for schools to plan and prepare for future needs.</p>